



GREEN BANKING: NEED OF THE HOUR

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ABSTRACT

The present epoch of globalisation and economic progress has added lot of comforts and luxuries to human life. But it has also lead to an alarming situation, enormous loss of bio-diversity, climate change and environmental damage. Presently all the sectors in the world economy are facing huge befalls to deal with environmental problems. Banking activities are not directly related to the environment but the external impact of their customer activities is substantial. All the sectors of the world economy have started revamp their activities to ensure the protection of our rich natural resources and environment. The banks can play an important role in promoting environmental sustainability. In an emerging economy like India, environmental management is the need of the hour. Green banking means environmental practices and reducing external carbon emissions and external emissions. This may be done in many forms such as- using online banking, financing green technology and pollution reducing projects. In the present paper the concept of green banking has been discussed in detail. The paper also highlights the benefits, products and challenges of green banking in the present times.

KEYWORDS: Environment, green banking, reduce, paper.

Introduction:

Presently global warming is a burning issue. The turbulent change in the climate causes many complicated problems which have their direct impact on water resources, human health, agriculture, bio-diversity and dry land. It is an alarming situation for the whole world. Presently, the whole world is facing huge challenges to deal with environmental issues. The business organisations as well as customers have realised the importance of the environment. Business firms have started amending their activities, so as to protect our natural resources. In the context the banks can play a significant role in promoting environmental sustainability. The banking sector is never considered as polluting sector, they are considered as eco-friendly sector and they do not have their direct impact on environment, but due to their massive use of energy, high paper wastages, they have to modify their working to maximise greenery and should adopt technology and products to make our environment human friendly.

Definition:

Green banking has been defined in many ways According to the Indian Banks Association "Green Bank functions like a normal bank along with considering the social and environmental factors for the protection of the natural resources". According to RBI (IDRBT, 2013)-"Green Banking is to make internal bank processes, physical infrastructure and Information Technology effective towards environment by reducing its negative impact on the environment to minimum level".

Objectives of the study

1. To understand the concept of green banking and its associated advantages.
2. To suggest ways to promote green banking in India.

Research methodology

The present empirical study has been incorporated by the collection of the secondary data. Secondary data includes journals, magazines, research articles and reports of the various banks and websites are used in this study.

Benefits of the green banking

Green banking is the widely accepted concept these days because of its innumerable benefits. It will benefit not only the present generation but it is spearheading to a better tomorrow. Benefits of the green banking are as follows:-

- Eliminates paper work- Rationalisation of paper use by giving free access to do all the banking transactions will eliminate paper work which will help in controlling deforestation. When the documents are directly received via e-mails will save paper.
- Reduction in cost- Green banking will help in reduction of printing cost, postage cost and there will be no need to transport mail. Sending documents through E-mails or faxing documents will reduce printing and energy costs.
- Loans at concessional rates- Various green bank loan scheme has been introduced with financial concessions for environmental friendly products such as green building products, house furnishing loans to install solar energy system etc.. Banks are promoting purchase of environmental friendly automobiles and customers will get concessional rate discount on purchase of green

vehicles.

- Creating awareness- These days many NGO's and environmentalist are conducting various seminars and awareness programs for environment consciousness among the public. Many business organisations are also conducting such programs, banks tie with such organisation and create awareness and helps to drives the whole nation toward a healthy environment and hazardless banking.
- Environmental standards for lending-these days banks are setting environmental standards for lending which is really a commendable gesture because due to which business organisations have to change their business to environmental friendly.

Steps in going green

- **Online bank accounts-** Online banking is the developing concept in India these days. Online banking and mobile banking helps in conservation of energy and natural resources. It includes paying bills online, online fund transfers, online statements and all this will help to reduce the use of paper, energy and natural resources. It will help to save a lot of time by avoiding standing in the queues and avoid late payment fees.
- **Paper less statement-** by choosing the online banking accounts there will be lot saving of paper. The customers can opt for green checking accounts due to which they can check their accounts details on ATM or touch screen systems at various banks. Online banking includes online bill payments, debit cards, online statements. When the statements are received electronically the chances of theft will also be reduced.
- **Direct deposit-** Most of the employers give the option to their employees to get their pay cheques directly into their account, which will help to reduce paper work and save you a trip to bank and paper.
- **Mobile banking-** Mobile banking includes balance checks, account transactions, payments etc. via mobile device
- **Net Banking-** Online banking means customers perform their bank related functions without personally visiting the bank. But to do so, customer must possess an internet banking ID and password. Net banking gives various benefits like time saving, convenience, eco friendly process etc.
- **Reward debit and credit card-** Some banks have joined hands with environmental friendly groups like The Sierra Club or Defenders of Wildlife to credit reward debit cards and reward credit cards. Participating banks will make a small charitable donation as a percentage of your online banking activity to help the environment.
- **Online bill payments-** Telephone bills, cable bills, credit cards payments electricity bill, mortgage payments can be all paid electronically. Even some customers have thrown their cheque books and completely converted to online payments. This will help to easy record keeping and saving paper.

- **Use of solar and wind energy-** Using solar and wind energy is one of the best cause for going green. SBI has become the first bank in the country to venture into generation of green power.

Green banking product coverage includes the following-

- Green mortgages
- Green loans
- Green credit cards
- Green saving accounts
- Green checking accounts
- Green Cd's
- Green money market accounts
- Mobile banking
- Online banking
- Remote deposit

Confronting Challenges to Go Green

While adopting the green banking the following challenges have been faced-

- **Diversification problem-** The business organisations who will qualify the screening process carried by green banks, will restrict their business transactions, due to which there will be small number of customers to support them and their profitability will also decrease.
- **Infancy stage-** Many green banks in business presently are very new and still in infancy stage. It doesn't help that these banks during recession period.
- **Higher operating cost-** Green banks require efficient, talented, well trained and experienced staff for providing excellent services. Experienced loan officers are required with additional experience for dealing with consumer. Providing loans at concessional rates will reduce the profit of the banks.
- **Goodwill risk-** If the banks are involved in huge projects, which are viewed as damaging environment, the banks will lose their reputation. There are few instances where environmental management has resulted in cost saving, increase bond value etc. (Heim, G et al, 2005)
- **Higher illiteracy rate-** In India the rate of illiteracy is very high. So for illiterate persons it is very difficult to operate online account. This is the biggest challenge faced by the green banks.

Suggestions

Indian banks have started adopting green practices, but it is in an infancy stage. Initially green practices will cause huge financial commitments but in long run it will give maximum advantages. Some suggestions that can be adopted by the banks to embolden green banking are as follows-

Creating awareness- For attaining sustainable development through green banking awareness must be created through internal sub system and external sub system. Awareness can be created by constructing websites, road shows, event meetings, banks newsletters, weekly green news on internet.

Imparting education- internet e-learning programs must be started; annual environmental reports must be published.

Innovative financial solutions- banks may formulate innovative financial solutions to incorporate environmental perspective.

Creation of green funds- banks can introduce green funds for the customers who are interested in investing environment friendly projects.

Disseminate information through Leaflets, brochures and press- the benefits and schemes of the green banking must be disseminated by leaflets and brochures.

Carbon footprint reduction- carbon footprint must be reduced by energy consciousness and by mass transportation.

Training of employees- relevant skills must be imparted among the employees, so that they can work efficiently and fulfil the requirements of the green banking. Conclusion- Green banking is in infancy stage in India. There is immediate need to create awareness to make our environment human friendly. The banks should play a pro-active role and by adopting environmental factor in their borrowing activities they can make the polluting industries, environmental friendly industries. The green banking approach is not only beneficial for environment but it is also beneficial for banks like reduction in cost, enhancement of bank's reputation, opens up new markets. Green banks serve both the purposes economic objectives as well as corporate social responsibility. Green banks will be beneficial for an economy, banks and industries. Initially there will be lot of financial burdens for banking industries but the steps taken today will spearheading to a better tomorrow. For effective and efficient adoption of green banking Reserve Bank of India and Indian government have to formulate guidelines and policies to encourage Green Banking.

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